OKLAHOMA
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A Brief Illustration of the Flexible Price Support Program

(See Page 59.)

On the Cover

W. L. Garman, assistant professor of agronomy, operating a flame photometer in a soil test for potassium. The most up-to-date piece of soil-testing equipment available, the flame photometer enables the operator to test a soil sample for potassium in five minutes, only one-tenth the time required by old methods. The picture was taken in the Oklahoma A. & M. soils laboratory, where 6,740 tests of soils, 172 samples of water, and many miscellaneous samples of fertilizer, minerals, and other materials were analyzed.

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The Agricultural Situation

GENERAL

Demand

The psychological factor is especially important in considering the probable trend of prices during the remainder of 1949. We may be at one of those crossroads in the operation of the economy when human behavior exerts a tremendous influence upon the magnitude and direction of price movements. These behavior attitudes are highly contagious and may spread rapidly. Consequently, if a sizeable segment of the population believe that prices will drop, and curtail their purchases accordingly, this idea spreads to others and a sharp decrease in business activity occurs with correspondingly lower prices. On the other hand, if a majority believe that prices will remain steady and therefore continue purchases, then the effects of their actions could cause prices to remain steady.

In view of the present high personal incomes and the slightly lower prices, there is evidence that a change in attitude by both business men and consumers may be taking place. The most urgent needs of the people are filled, and business men and consumers may be waiting to see where prices are headed before making additional commitments. Perhaps a second psychological factor is that people have as much of their present and future savings tied up in expansion investments and payment plans as they desire, consequently they may be spending less and saving more. This is one of the important factors to be considered in determining the trend of prices in 1949.

A second important factor influencing 1949 prices is the nature and extent of governmental outlays for defense, foreign aid, stockpiling, and other purposes. A large increase in governmental expenditures could create a shortage of goods and services which would send prices upward. Conversely, a large decrease in expenditures could create a surplus of goods and services which would flood the domestic market and send prices downward. The present situation indicates that governmental outlays for all purposes probably will remain large and may possibly increase during 1949.

Copy for this issue of Current Farm Economics was received April 4 and printing was unavoidably delayed.

Apparently the psychology of the population and the size of the prospective governmental expenditures are two of the major factors which hold the balance of power in the economy today. In the high level of economic activity of the United States either factor could change the direction of price movements.

While it is true that many prices are tending lower, this does not necessarily mean that a downward spiral has begun. There are two reasons for this adjustment of supply and demand at somewhat lower prices: First, the most urgent needs of the people for many commodities have been met, and the prices which were out of line are now coming down to meet competitive conditions. Second, the supplies of most commodities are in sufficient quantity that seasonal fluctuatons in production and prices are falling into prewar patterns. Business activity during the winter months was traditionally slower than during other months of the year.

The position of the following factors gives an indication of the soundness of our economy for a continuing high level of business activity: *

1. Industrial production in January 1949 was 191 percent of the 1935-39 base period. This was 2 points under January 1948 and 4 points under the postwar peak established in October and November 1948.
2. Personal incomes were high. The latest month for which estimates were available, December 1948, placed the seasonally adjusted annual rate at 220.8 billion dollars compared with 207.7 billions in December a year earlier.
3. Employment was large at 57.4 million persons in January 1949, compared with 57.1 million in January 1948. However, it should be noted that unemployment has increased more than seasonally. In January 1949, unemployment increased to 2.7 million persons compared with 2.0 million in December, but the rate of increase has since declined and the increase expected in February is less than the increase from December to January.
4. January department store sales in dollars at 290 percent of the 1935-39 base were down from December, although somewhat higher than January 1948. However, since January the sales have been running high although under the sales for the same period a year earlier. A part of the decline may be attributed to somewhat lower prices.

* *The Demand and Price Situation*, February 1949, pp. 1-4.

5. Business inventories declined 1.4 billion dollars from the end of November to 54.0 billion dollars at the end of December. Since December, retailers have been decreasing inventory while manufacturers and wholesalers have had to maintain and increase inventories, partially because of slower sales.

Price

It is often true that those prices which go up more during periods of inflation must come down a like amount during periods of stable or declining prices. Agricultural prices have followed this pattern rather closely. Prices received by farmers in the United States since the beginning of World War II had a greater relative increase and reached a record high in October 1946 of 33 percent over the prices paid by farmers. Since that time the parity ratio (prices received divided by prices paid) has steadily declned. In February 1948, the parity ratio was 105, which is the lowest level since July 1942 and compares with 108 in January and 112 in February a year earlier. In spite of these recent large declines in the prices of agricultural products, agricultural prices remain 5 percent higher than the prices paid by farmers as compared with the 1910-14 base period in whch an equality between the series was assumed to exist.

In addition to this present favorable position of the parity ratio, many commodities are currently being supported at 90 percent of parity. This support maintains a floor under which certain farm prices cannot fall. Consequently, further price declines are limited; and no great inequality can exist during 1949 as far as agriculture in total is concerned.

Following national price declines, the prices received by Oklahoma farmers decreased 2.6 percent to 262 percent of the 1910-14 base in February. However, not all this decline indicates decreased purchasing power for Oklahoma farmers because the index of prices paid by farmers (excluding interest and taxes) decreased 1.2 percent for the same period. The index of purchasing power of all farm commodities declined from 103 in January to 102 in February.

Significantly, the prices decreased in February from January for all except the three commodities cotton, sweet potatoes, and sheep. The increase in the price of cotton from 28 to 29 cents per pound was sufficient to more than offset the decline in the price of cottonseed and raise the index of prices of cotton and cottonseed 2 percent over the January level. The increase in the price of sweet potatoes offset the decrease in

TABLE I.—Percentage Changes of February Prices From Prices in Selected Months by Commodity Groups; Oklahoma.

Commodity Group	From January 1949	From February 1948
All Commodities	— 2.6	— 6.1
Total Crops	— 0.8	— 6.5
Grains	— 5.7	—13.6
Cotton and Cottonseed	1.9	— 2.2
Misc. crops	0	— 9.7
Total Livestock and Livestock Products	— 6.3	— 5.3
Meat Animals	— 5.8	— 4.2
Dairy Products	— 3.5	—16.9
Chickens and Eggs	— 3.9	7.5

the price of hay, to maintain the index of prices of miscellaneous crops at the same level. The increase in the price of sheep was absorbed by price declines for other meat animals, and therefore the index of prices of meat animals decreased. Table I shows the percentage changes of February prices from the previous month and from the same month a year earlier. Practically all prices were significantly lower in February than for the same month last year.

Income

Cash receipts during the first quarter of 1949 of 6.6 billion dollars is 5 percent greater than in the same period of 1948.* A larger volume of marketings and loans has been more than adequate to offset lower prices in establishing this increase in gross farm income.

Receipts from the sale of crops may total 2.8 billion dollars, which is almost 20 percent higher than the first quarter marketings of last year. Increased marketings and loans of corn and cotton have contributed the major parts of this gain.

Receipts from the sale of livestock and livestock products of approximately 3.8 billion dollars are down slightly from last year. Lower meat animal prices have offset the larger marketings; and dairy receipts are down, reflecting lower prices for dairy products. On the plus side, receipts from the sale of poultry and poultry products are somewhat larger this quarter.—*Leo V. Blakley.*

* *The Farm Income Situation*, February 1949, p. 2.

CROPS

Cotton

The cotton market has been somewhat inactive and rather dull recently. The cotton trade has been waiting on the reduction of uncertainties, especially those affected by political actions. Some economic uncertainties are also involved, however. Among the developments in which the cotton trade is especially interested and which are also of special interest to cotton farmers are: (1) export prospects, including credits through the ECA. (Marshall Plan) and other financing of foreign countries; (2) agricultural legislation, incuding price support levels and regulations regarding the inclusion or exclusion of 1949 cotton acreages in calculation of future cotton acreage allotments; (3) general business developments and outlook; and (4) textile price outlook.

Exports of cotton totaled 1,884,000 bales for the six months, August 1, 1948 to January 31, 1949, compared to 904,000 bales for the same period the previous season. If exports continue or exceed the rate in November, December, and January for the remainder of this season, exports would total about 5 million bales this season. The 1948-49 crop of cotton in this country totaled about 14½ million ginned bales according to the recent report of Bureau of the Census. (The cotton crop was estimated at over 15 million bales last fall.) The total supply of American cotton is, therefore, about 17½ million bales this season. Domestic cotton consumption will total about 8⅓ million bales if the monthly consumption from March to July inclusive averages the same as the consumption from August to February. The carryover of American cotton next August 1st will likely be between 4 and 5 million bales, but may be either more or less depending on the domestic consumption and exports in the next few months.

About 4⅓ million bales are now in the government (CCC) loan. If exports and domestic consumption total about 13 million bales or more, a considerable amount of cotton will have to be redeemed from the loan to provide the working stocks necessary for mills and exporters. The current prices for loan equities are reported to be from $2.50 to $6.00 per bale. These prices will likely rise if the situation gets "tight". Redemptions of loan cotton have recently exceeded the amount of cotton entering the loan.

The PMA (current name of the former AAA) is working on cotton acreage allotments for 1950. However, cotton allotments are by no means certain in 1950 at the present time.

The Crop Reporting Board recently released estimates on the prospective acreages for most crops, but is prohibited by law from making any estimates of cotton acreage until July 1. The cotton trade seems to be expecting an increase of about 10 to 15 percent in the 1949 acreages in cotton. The record yields of cotton made in recent years may not be repeated in the 1949-50 crop. Exports of cotton may rise still higher since the world need for textiles, compared to prewar standards, is not yet saturated and many foreign countries do not have as much need for food imports as in previous years. The prices of American cotton are reported to be considerably lower than those of comparable foreign growths in foreign markets, but dollar shortages in foreign countries (arising from the United States not taking imports, etc.) are now holding down exports of cotton. Loans, shifts from importation of foods to cotton, stockpiling in the United States, lower yields and/or other factors may cause the postponement or prevent acreage allotments. The acreage allotments on peanuts totaling 2,611,367 acres for the 1949 crop compared to 3,340,000 acres in 1949, is expected to contribute to the expected increase in cotton acreage. However, the acres shifted from peanuts to cotton will not likely result in a proportionate increase in cotton production. The indicated Oklahoma acreage of peanuts for all purposes in 1949 is 199,000 acres or about two-thirds of the 302,000 acres in peanuts in 1948. Part of the difference in peanut acreages in 1948 and 1949 will be planted to cotton in Oklahoma, but not all of it since some of it will likely remain idle and some if it may be planted to other crops or pasture.

The world production of cotton may slightly exceed world consumption in the current season, but world stocks are comparatively low and the "backlog of demands" accumulated during the war have not yet been supplied in many countries. Textile rationing was only recently removed in England.—*John D. Campbell, Raymond E. Gregory, and Norman R. Martin.*

Watermelons

The prospective acreage of watermelons in Oklahoma is about the same as last year, or about 13,000 acres. Some increase in acreage will probably occur in the peanut producing area of the State due to a reduction in peanut acreage. A reduction in watermelon acreage in other parts of the State is expected because of the disappointing crop produced last year.

Planting intentions in all states indicate a prospective acreage increase of 2 percent over last year and 7 percent above average.

Consumer demand for watermelons is expected to be strong this year. Prices received by growers should not be far different from last year. Prices for watermelons are finally determined by two factors in addition to consumer income and the supply. These two factors are (1) quality, and (2) hot weather in the consuming areas at the time the crop is being harvested.

Growers have no control over the weather, but they can influence quality by planting seed of high quality.—*James R. Enix.*

Wheat

Prospects continue good for a very large wheat crop again this year. The large wheat acreage coupled with satisfactory growing and moisture conditions makes the prospect good not only for Oklahoma but the United States as well.

Although production is important, one of the questions uppermost in the minds of wheat producers, handlers, and others interested in the wheat industry is: "What type of market will be available for wheat this next year and the next few years?" One factor influencing this market is the proposed International Wheat Agreement. Conferences recently completed after negotiation among 42 nations brought forth a new proposed Agreement. It was signed by representatives of over half of the 42 nations, but will not go into effect until ratified by the governments of a majority of the nations participating. Whether or not the United States participates depends upon Congressional action. The deadline set by nations participating was April 15.

In general, the agreement is similar to that proposed last year, but not adopted. Last year the maximum price was two dollars per bushel at Fort William as compared with $1.80 this year. The minimum price of $1.50 for the first year of operation is the same. This minimum price under the four-year agreement would drop 10 cents per year. The new agreement provides for the allocation of 456,283,389 bushels each of the four years, whereas last year's agreement would have allocated 500 million bushels annually.

The 42 countries concluding the agreement included 37 importing countries and 5 exporting countries. Two other exporting nations, Argentina and Soviet Russia, withdrew from the conference near its end when they were not able to secure export quotas larger than the conference was willing to grant.

Under the agreement the United States would export 168,069,635 bushels of wheat per year, which is several times greater than prewar exports. Allocations allowed the other exporters are 203,069,635 bushels to Canada; 80,000,000 bushels to Australia; 3,306,934 bushels to France; and 1,837,185 bushels to Uruguay.

The second factor influencing the wheat outlook at present is the prospect of some type of controls, such as production controls and marketing quotas. Current discussion in the press has told of their likelihood next year. The size of such cuts as may come under controls will, of course, be related to the relative size of production in the United States and the total market available for United States wheat. This brings to mind the importance of agricultural policy in the United States, with such questions as:

"Do we want controls in production or in amounts marketed?"

"Can there be price fixing without marketing or production controls?"

"If we have price controls, how rigid should they be?"

"Would we be better off without either production or price controls?"

"Should aid in case of years of extremely low agricultural income come other than through price supports?"

"How effectively do price supports bring aid to all of those in agriculture needing it?"

On many of these questions there is no agreement, but certainly they are facing agriculture at present.—*Adlowe L. Larson.*

FEED

There has been no significant change in the feed situation since the February report. The U.S.D.A. report of prospective plantings indicates that somewhat fewer acres will be planted to the main feed grain crops in 1949 than in 1948. The same over-all prospects prevail in Oklahoma that prevail in the United States as a whole. For individual feed grains only barley plantings will equal 1948 plantings for the United States. In Oklahoma prospective planted acreage for corn shows a slight increase over last year.

Even assuming last year's favorable yields, the indications now are that feed supplies per animal unit will not be quite so plentiful through the next feeding season as they are this season.

U.S.D.A. reports indicate that range feed conditions in Oklahoma on March 1 were sharply improved over conditions on February 1 and somewhat better than a year earlier. Prospects for spring grass are excellent throughout the state.—*L. A. Parcher.*

LIVESTOCK AND LIVESTOCK PRODUCTS

Beef Cattle

The number of all cattle and calves on United States farms and ranches increased one half of a percent during 1948, reversing the downward trend which began in 1945. Storm losses in the Western states since January 1 are estimated at 81,000 head, or one-tenth of a percent of the total number on January 1.

Cattle numbers on January 1 of this year were 8 percent below the all-time peak of 1945, but 17 percent above the 1935-39 prewar average.

Principal increase in cattle numbers during 1948 was in the western Corn Belt states. This is shown by the large increase in the number of cattle in feed lots on January 1. The South Central states, which include Oklahoma, showed a 2 percent decrease from 1948.

Of particular interest is the fact that beef cows and heifers one year old and over accounted for one-fourth of the total number of cattle and calves. This unusually high percentage of female beef animals indicates that up to January 1 stockmen were making an effort to maintain herds for continued large calf crops and possible expansion in production. This condition apparently continued through February, because calf marketings for that month at 12 large public markets (including Oklahoma City) were 10 percent below February, 1948, despite a 10 percent increase in receipts of all cattle.

In the first two weeks of March, however, United States cattle receipts had increased to 12 percent above 1948, and calf receipts changed from 10 percent below to 10 percent above. Table II shows that this trend existed to an even greater extent at the Oklahoma City market.

TABLE II.—Stock Yard Receipts of Salable Cattle and Calves at Oklahoma City for Selected Periods of 1949, with Comparisons.*

Period	1948		1949		Percent change from 1948	
	Cattle	Calves	Cattle	Calves	Cattle	Calves
	Number				Percent	
January	35,583	8,905	36,675	4,675	+ 3	−48
February	23,129	3,806	30,725	3,925	+33	+ 3
1st 2 weeks of March	11,759	1,623	18,175	2,400	+55	+48
TOTAL	70,471	14,334	85,575	11,000	+21	−23

* Compiled from *Weekly Livestock Market Reviews*, Vol. XXXII, January 7, 1949, to March 11, 1949, U.S.D.A., Production and Marketing Administration, Livestock Branch, Oklahoma City, Oklahoma.

The fact that cattle marketings during 1949 have been above 1948 levels may reveal a feeling of uncertainty among producers regarding future price levels. The early March marketings are of particular significance in this connection, inas much as pasture grass will be available within thirty days.

The drop in most livestock prices for six consecutive months prior to mid-February may have built up a feeling of uncertainty. Despite a strengthening in mid-February, prices were far below their peaks of last summer. Then, too, prices declined longer and farther than can be explained by the seasonal increase in livestock slaughter and meat supplies (see below) or by a readjustment from the extremely high prices of last summer. The reduced demand for meat appears to be the result of some weakening of general industrial activity and declines in employment and consumers' incomes. Although these influences are of moderate proportions, the effects already evidenced clearly demonstrate the sensitiveness of the livestock industry to general economic conditions.

The decrease in prices has been most severe in the better grades. Lowest grades have declined least. For example, choice 1100-1300 pound steers at Chicago declined from $37.35 per hundred from January 1948 to $30.64 in January of 1949; a decrease of $6.71 per hundred. In comparison, common 700-1100 pound steers declined from $21.12 to $20.10 or $1.02 per hundred during the same period.

Commercial meat production in the United States during January was 6 percent below the previous month and 5 percent below January, 1948. The number of cattle slaughtered

during January was 15 percent below a year ago, but beef production was only 8 percent smaller due to an increase of 35 pounds in the average liveweight per head slaughtered.

Beef in storage February 1 was 152 million pounds, 27 million pounds below average and 24 million pounds, or 14 percent below 1948. For all meats, storage holdings on February 1 were 11 percent below February 1, 1948. (This year's figure does not include stocks held by the armed services, on which figures are not available for publication.)

Although imports of beef and veal have increased considerably, the total net imports* for December equaled only 1.6 percent of the 1,230 million pounds of meats and meat food products prepared and processed under federal inspection during January.

If the seasonal decline in meat output continues, prices of meat and meat animals may hold steady or strengthen in the near future. Even though a widespread let-up in business activity has not appeared and some parts of the economy are very strong, continued weakness would probably prevent any marked increase in prices of meat and meat animals.

Production in the second quarter of 1949 is expected to exceed the corresponding months in 1948 by a small margin. On January 1, the highest number of cattle on record was on feed. This was about 19 percent above last year; accordingly, more beef from grain fed cattle is expected this year. Some decrease from last year is expected in other kinds of beef, therefore the premium on better quality cattle will not likely be as high this summer and fall as it was last year.—*Robert L. Tontz.*

Dairy

Personal incomes, which govern consumer demand for dairy products and other foods, decreased slightly in January 1949 from the high total of 220.0 billion dollars set in December 1948. The proportion of their incomes which consumers are spending for food may also be declining, since there seems to be some recession in the purchase of foods.

The extreme pressure of the large feed and food crop harvested in 1948, combined with the apparent slackening of demand by processors and traders to maintain inventories of dairy products, is lowering prices. This decline in demand is very noticeable in lower prices of manufactured dairy products and fluid milk.

* Excess of imports over exports. Canned beef from Mexico not included.

To meet this situation several steps have been taken:

(1) Fluid milk handlers have lowered both producer and consumer fluid milk prices in a large number of markets. In some cases the producer's price is near the 1947 level (see Figure 1).

(2) Numerous U. S. Department of Agriculture milk hearings are being scheduled for the larger, regulated milk markets to determine whether there should be changes in minimum prices of Class II and III milk to producers. These classes of milk are used for manufacturing and ice cream making. The pressure is to have these prices lowered in harmony with market price trends.

(3) The USDA as of March 25, 1949, issued a "Butterfat Support Program." This program clarifies the butter purchase program announced on February 8, 1949, which indicated that a butter purchase program will be undertaken with butter

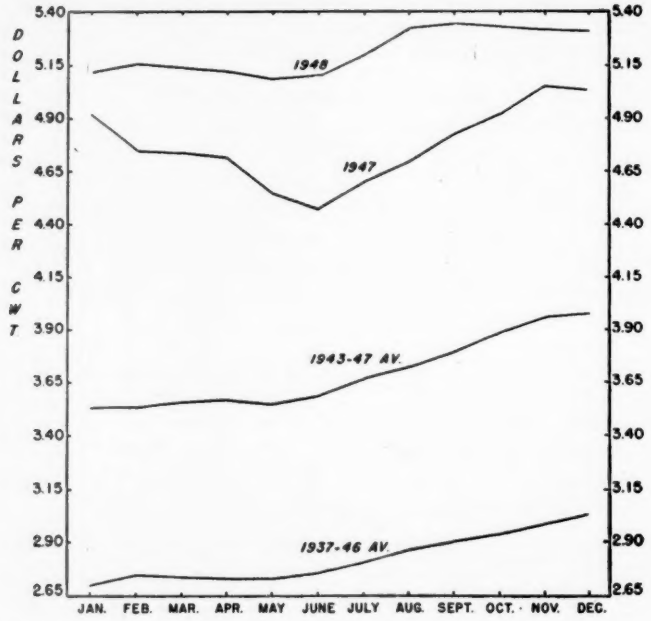

FIG. 1—Milk dealers average buying prices (1937 to 1948) in the United States for 3.5 percent milk, f.o.b. local shipping points or country plants. (Data from Fluid Milk Prices in the City Markets for February, 1949, U.S.D.A.-B.A.E.).

processors who pay to farmers an average price equal to 90 percent of parity. The program is based upon a parity price of 58.5 cents per pound for butterfat and is effective until January 1, 1950. The following quotation from the anouncement gives details on prices to be paid and grades purchased:

> In carrying out any necessary support operations, the Department will offer to buy in any area during 1949 butter of U. S. Grade A or higher at 59 cents per pound for delivery before September 1. and at 62 cents for delivery on or after September 1. The Department's purchase prices for U. S. Grade B butter will be two cents lower in each period.

The purchase announcement specifies Grade B or higher grades. A rather high percent of the butter produced in Oklahoma has been Grade C, or what is normally called 89 score butter. Should these lower grades be produced in large quantities they may be at some price disadvantage later on in the season. This is one more reason why more producers should improve dairy operations and market more higher quality cream. This also applies to fluid and manufacturing milk.

Butter purchased under the program will be available for sale later on domestic markets at not less than purchase price plus storage, the department announces. Some may be used by other goverment agencies and for the school lunch program.

Milk production for 1949 is expected to be higher than for 1948, as the production per cow is higher. The total number of dairy cows on January 1, 1949, was 2 percent smaller than for one year earlier. Milk cow numbers have been declining for four years. This is also true for the older heifers in the herds, but heifers under one year are on the increase aga'n.

The facts point to a rather unsteady condition in the markets for dairy products. Many are still hopeful that prices will soon become steady and go through the season at a level satisfactory to producers. The price programs undertaken by the industry and the government are designed to do this.—*A. W. Jacob.*

Hogs

With a record corn crop and declining corn prices, the economic advantage of converting corn to pork has improved roughly 50 percent over what it was a year ago at this time. The hog-corn price ratio at Chicago, based on prices of barrows and gilts, was 15.6 in the month of February, 1949, as compared to only 10.0 in February, 1948. Corresponding figures for all hogs marketed were 15.3 and 9.9.

This favorable price relationship is bringing about a marked increase in the number of hogs and amount of pork produced. The total number of hogs on farms in the United States January 1, 1949, was the largest since 1946, being 4 percent larger than last year and only 6 percent below the 1938-47 average. All of the increase was in hogs under six months old, reflecting an increase in the fall pig crop, while 14 percent more sows were kept for spring farrowing this year than last. Although the average slaughter weight has been about 10 pounds lighter than a year ago, the number of hogs received at central markets each month is already 10 to 15 percent in excess of the number received in the corresponding month last year.

As production and marketings increase, it is to be expected that hog prices and the hog-corn price ratio will decline. Fall pigs are already coming to market. It is likely that the minor spring peak in hog prices may be lower and end earlier than usual. Lower prices are definitely to be expected when the heavy runs to market occur next fall and winter. Profitable production will depend on rapid gains and early marketing at medium rather than heavy weights.—*F. L. Underwood.*

Poultry

Chickens.—With few exceptions, the poultry situation gives indications of continuing at the present level for the next six months. Egg prices likely will follow the usual seasonal pattern and decline until September, when the seasonal trend turns upward (Table III).

Egg prices have been supported at the present level by government purchase of about 23 million cases of eggs at a minimum support price of 35 cents to producers. Just recently the Department of Agriculture announced continuation of its 35-cent minimum support level through May.

The per capita consumption in 1948 of 388 eggs was the second highest on record. This would seem to indicate a continuing strong consumer demand for eggs in 1949 provided other commodity prices maintain existing relationships. Other anticipated positive influences in the market include the increase in population, expansion of military requirements, and some building up of storage stocks.

The overall supply of eggs in 1949 for consumption will be slightly smaller because storage holding of all kinds are considerably below the average for the last ten years. However, if the January production can be taken as indicative of the

trend for 1949, production of eggs in the current year may exceed either 1947 or 1948 (55,252 and 55,168 million eggs respectively). This would necessitate a continuous price support program throughout the year, and would give a larger supply than has been anticipated. It is possible but not probable that this rate will be maintained. The greater number of old hens in flocks compared with past years will necessitate heavier culling during the year, and the mortality rate will be higher. The seasonal decline in prices will force some reduction in numbers.

Hatchery reports indicate that farmers will exceed their intentions on February 1 to increase production of chickens raised to 7 percent above the 1948 output of 634,036 million.

Lower prices for feed (Table V) have encouraged production, but a study of the market conditions does not support an increase in output comparable with the rates of 54 and 32 percent in production this year compared with last year. The poultry enterprise is rather flexible and the trend can be reversed very quickly.

Turkeys.—Turkey producers, encouraged by the 1948 results, have retained 33 percent more breeder hens on farms than a year ago. Farmers' intentions earlier were to expand the turkey output by only 25 percent. Conditions in 1949 compared with 1948 are reversed. Producers began the year in 1948 with 2.8 million hens, but feed prices were unfavorable in the beginning, and output was adjusted accordingly; while in 1949 producers have the breeder hens, and price relationships are favorable for exceeding intentions. The poultry situation for February 1949 makes the following statement which seems to summarize the turkey situation, "Numbers in 1949 are more than adequate to meet expected demands."—*K. C. Davis.*

Sheep, Lambs and Wool

Sheep and Lambs.— The number of stock sheep and all sheep on farms January 1, 1949, in the United States was the lowest on record dating back to 1867.* Total stock sheep numbers declined 7 percent and sheep and lambs on feed declined 15 percent during 1948.

In Oklahoma the total number of stock sheep on farms January 1, 1949, was 101,000 head compared with 130,000 a year ago. All sheep and lambs, including those on feed for market, was 131,000 compared with 155,000 January 1, 1948. The number

* *Annual Livestock Report*, 1949, USDA BAE.

TABLE III.—Egg Prices Received by Oklahoma Farmers, January 1942 to February 15, 1949.
(Cents per dozen)

Year	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Av.
1942	30.2	24.8	25.0	24.4	25.7	27.0	27.0	27.5	29.4	31.4	33.2	34.7	28.4
1943	35.4	33.3	32.9	32.4	32.9	33.3	32.6	32.6	34.3	37.5	39.0	39.6	34.6
1944	32.4	31.6	29.7	26.0	26.7	27.0	28.0	28.5	29.9	32.6	38.6	41.1	31.0
1945	37.5	31.2	30.7	30.8	30.5	31.1	32.3	33.5	30.0	35.0	44.7	45.5	34.4
1946	37.5	29.4	30.1	29.7	30.0	30.0	32.0	32.0	40.0	44.0	41.0	43.0	34.9
1947	38.1	35.1	36.0	37.5	36.5	36.7	38.3	37.4	43.6	47.8	47.7	57.6	41.0
1948	44.3	39.7	38.3	38.3	35.4	36.4	37.0	38.0	41.7	46.0	52.0	53.0	41.6
1949	43.0	40.5											

SOURCE: "Prices Received by Farmers," Mid-Monthly Release, Agricultural Statistics Division, B.A.E., U.S.D.A., Oklahoma City, Oklahoma.

TABLE IV.—Chicken Prices Received by Oklahoma Farmers, January 1942 to February 15, 1949.
(Cents per pound)

Year	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Av.
1942	14.8	15.3	15.8	16.1	16.8	16.8	15.9	16.7	17.9	17.8	17.2	17.7	16.6
1943	19.0	19.8	20.7	22.1	22.1	22.6	22.3	21.7	22.0	22.3	22.5	21.9	21.6
1944	21.9	22.2	22.2	21.4	21.5	21.8	21.8	21.4	22.0	21.4	21.4	22.1	21.8
1945	21.8	22.1	22.5	23.2	24.0	24.7	24.9	25.8	22.8	21.8	20.9	21.4	23.0
1946	21.6	21.6	21.7	22.4	23.5	23.4	25.5	23.4	24.0	27.0	21.9	22.4	23.2
1947	22.4	21.2	23.0	23.8	23.5	22.2	22.0	22.0	22.5	23.4	22.1	21.6	22.5
1948	22.2	22.4	23.0	24.0	24.0	26.0	28.2	25.7	27.0	26.4	25.8	28.0	25.2
1949	27.0	27.0											

SOURCE: "Prices Received by Farmers," Mid-Monthly Release, Agricultural Statistics Division, B.A.E., U.S.D.A., Oklahoma City, Oklahoma.

TABLE V.—Poultry Ration Cost Per 100 Pounds, to Oklahoma Farmers, January 1942 to February 15, 1949.

(Dollars)

Year	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Av.
1942	2.01	2.07	2.13	2.12	2.11	2.11	2.10	2.17	2.16	2.14	2.16	2.20	2.12
1943	2.37	2.39	2.45	2.53	2.60	2.63	2.71	2.77	2.75	2.77	2.82	2.86	2.64
1944	2.91	2.92	2.92	2.95	2.96	2.91	2.88	2.87	2.78	2.71	2.71	2.69	2.85
1945	2.72	2.73	2.76	2.79	2.78	2.80	2.84	2.86	2.85	2.89	2.91	2.94	2.82
1946	2.96	3.02	3.10	3.11	3.35	3.49	3.84	3.81	3.63	3.58	3.63	3.47	3.42
1947	3.39	3.42	3.77	3.85	3.85	3.81	3.94	4.08	4.35	4.42	4.53	4.76	4.01
1948	4.92	4.36	4.47	4.56	4.48	4.34	4.17	3.77	3.51	3.43	3.45	3.53	4.08
1949	3.52	3.41											

*TABLE VI.—Egg-Feed Price Ratios, Oklahoma**

(Pounds of Poultry ration** equal in value to one dozen eggs)

Year	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Av.
1942	15.0	12.0	11.7	11.5	12.2	12.8	12.9	12.7	13.6	14.7	15.4	15.8	12.9
1943	14.9	13.9	13.4	12.8	12.7	12.7	12.0	11.8	12.5	13.5	13.8	13.8	13.2
1944	11.1	10.8	10.2	8.8	9.0	9.3	9.7	9.9	10.8	12.0	14.2	15.3	10.9
1945	13.8	11.4	11.1	11.0	11.0	11.1	11.4	11.7	10.5	12.1	15.4	15.5	12.2
1946	12.7	9.7	9.7	9.5	9.0	8.6	8.3	8.4	11.0	12.3	11.3	12.4	10.2
1947	11.2	10.3	9.5	9.7	9.5	9.6	9.7	9.2	10.0	10.8	10.5	12.1	10.2
1948	9.0	9.1	8.6	8.4	7.9	8.4	8.9	10.1	11.9	13.4	15.1	15.0	10.0
1949	12.2	11.9											

SOURCE: "Prices Received by Farmers," Mid-Monthly Release, Agricultural Statistics Division, B.A.E., U.S.D.A., Oklahoma City, Oklahoma.

* These ratios are not indicative of and must never be interpreted as "cost of production." They include only cost of feed, and all other costs of production are in addition.

** Poultry feed ration: percentages of specfied feeds include commercial mash, 32.7 percent; home mixed mash, 11.2; commercial scratch, 4.0; corn, 14.0; wheat, 16.3; oats, 9.9; barley, 1.3; sorghum grain, 10.6 percent. Individual producers' ration cost may be more or less than the above stated costs as estimated by the Bureau of Agricultural Economics. In case poultry-ration cost and egg prices for producers in any community differ from those shown in Table V and Table III, respectively, the actual ratios can be calculated by dividing egg prices per dozen by actual feed cost per pound.

of ewes on farms declined from 102,000 head to 79,000 head during the same period. These figures represent the smallest number of stock sheep on farms in Oklahoma in twenty years, and about a third less than the 340,000 head in 1940.

In the winter storm area of the Plains, it has been estimated that 97,000 sheep and lambs perished—a loss of 5 percent of the stock sheep. Also it was estimated that the condition of sheep in the area was the lowest in 26 years, with the possibility that the lamb crop will be reduced considerably.*

Wool.—There are some indications that the demand for men's and women's wear for fall lines will not be as strong this next fall as has been true the past few years. Current orders for fall-line clothing are reported to be sharply lower by commercial woolen companies. If these early reports prove to be true, although there is an acute shortage of this type of wool, liquidating inventories and low side quality substitutions could considerably soften the demand for wool of the kind that has been in tight supply in recent years.—***Raymond B. Marshall.***

* *The Livestock and Meat Situation.*

A Brief Illustration of the Flexible Price Support Program

This is a reprint of an article by L. H. Simerl of the Department of Agricultural Economics, University of Illinois. It appeared in the Weekly Review and Farm Outlook Letter, March 10, 1949.

LONGER AND WARMER.—The days are growing longer and warmer—and so are some of the arguments about present and proposed farm price support legislation. Much of the heat in these arguments arises because of a lack of understanding of the law passed by Congress last summer. This is the law that is intended to provide flexible price supports beginning with crops produced in 1950.

ERRONEOUS IDEAS.—Farmers, and the public generally, have several erroneous ideas about this legislation. One of these erroneous ideas is that the flexible price supports would range from 90 percent down to 60 percent of parity. Another false idea is that the program would not provide so much income insurance when crops are large as when they are small. The fallacy of these ideas can best be shown by some illustrations of how the program would operate in practice.

HOW IT WORKS—SMALL CROPS.—For example, let's see how the flexible price support program would apply to Bill Jones. Bill farms 160 acres and produces 4,000 bushels of corn in an average year. Here's how he would fare in a year when the corn crop is poor, say only 70 percent of normal: In such a year Bill would probably have about 2,800 bushels of corn to harvest (4,000 x 70% = 2,800). The price support level specified for a supply 70 percent of normal is 90 percent of parity. That 90 percent looks pretty good to Bill. If parity is $1.50 a bushel, the loan rate would be $1.35 ($1.50 x 90% = $1.35). That would make a total loan value of his crop figure out at $3,780 (2,800 x $1.35 = $3,780).

BIG CROPS.—Now let's consider the other extreme—a very large crop. The law carries a printed table that seems to prescribe a price support level of 60 percent of parity whenever the supply exceeds 130 percent of normal. So let's assume that the supply is 131 percent of normal. To produce his usual share of such a supply, our Bill would have about 5,240 bushels for harvest (4,000 x 131% = 5,240).

(Now the going gets heavier—better shift into low gear.) As we said in the paragraph above, the law establishing the flexible price support program has a table that appears to prescribe a minimum price support level of 60 percent of parity whenever the supply exceeds 130 percent of normal. This is the source of the idea that price supports would fall to 60 percent of parity when crops are large. Actually, however, this 60 percent figure can never come into operation. It is nullified and overridden by the next paragraph of the law. This paragraph provides that the schedule of minimum price supports specified in the table shall be raised by one-fifth whenever marketing quotas are in effect. (See last paragraph for example of what would happen if marketing quotas are disapproved.)

The law provides for a vote on marketing quotas whenever the supply exceeds 120 percent of normal. Thus with a supply of 131, as in our example, producers would vote on marketing quotas. If they approved the quotas, the minimum price support level would be raised by one-fifth, or to 72 percent of parity.

In our example we have assumed a parity price of $1.50 a bushel. Therefore, the actual loan rate for this corn crop would be $1.08 a bushel ($1.50×72%=$1.08). Thus the total loan value of the crop would be $1.08 multiplied by 5,240, the number of bushels hervested. This figures out to approximately $5,659.

NEW CAR?—Now compare this figure with the total loan value of $3,780 in our example of the small crop at 90 percent of parity. The difference in favor of the large crop is $1,879. That's almost enough to pay for a new automobile.

BASIC PRINCIPLE.—If we use other figures to start with that is, different supply percentages or a different parity price, the final results, of course, will be somewhat different. But the basic principle will be the same—*large supplies will have greater total loan values than small ones.*

One final point: What would have happened in our example if producers had voted against marketing quotas? In that case the loan level would have dropped to 50 percent of parity, or 75 cents a bushel. The reason: The law states that the price support will be 50 percent if marketing quotas are disapproved. Seventy-five cents on Bill's 5,240 bushels would be $3,930. Interestingly enough, that is still a shade more than the $3,780 loan value of the small crop at 90 percent of parity.

Prices Received by Farmers, Price Indexes, and Indexes of Purchasing Power of Oklahoma Farm Products

(1910-1914=100)

	Prices				Price Indexes				Purchasing Power Indexes,			
	1948	1948	1949		1948	1948	1949		1948	1948	1949	
	Feb.	Dec.	Jan.	Feb.	Feb.	Dec.	Jan.	Feb.	Feb.	Dec.	Jan.	Feb.
	(Dollars)				(Percent)				(Percent)			
Grain					250	230	229	216	95	88	88	84
Wheat (bu.)	2.05	2.06	2.02	1.91	238	240	235	222	90	92	90	86
Corn (bu.)	2.05	1.33	1.39	1.31	315	205	214	202	120	79	82	79
Oats (bu.)	1.08	.89	.91	.86	240	198	202	191	91	76	78	74
Barley (bu.)	1.60	1.26	1.27	1.22	271	214	215	207	103	82	83	81
Rye (bu.)	1.90	1.65	1.50	1.38	221	192	175	160	84	74	67	62
Grain Sorghums (bu.)	1.60	1.20	1.23	1.18	235	176	181	173	89	67	70	67
Cotton and Cottonseed					272	253	261	266	103	97	100	104
Cottonlint (lb.)	.280	.270	.280	.290	248	239	248	257	94	92	95	100
Cottonseed (ton.)	95.00	73.00	74.00	67.00	485	373	378	342	184	143	145	133
Miscellaneous Crops					196	172	177	177	75	66	68	69
Potatoes, white (bu.)	2.00	1.80	1.80	1.80	180	162	162	162	68	62	62	63
Potatoes, sweet (bu.)	2.65	2.55	2.65	2.80	215	207	215	228	82	79	83	89
Hay, all loose (ton)	17.50	14.70	15.20	14.90	198	167	172	169	75	64	66	66
Total Crops					262	242	247	245	100	93	95	95
Meat Animals					353	366	359	338	134	140	138	132
Cattle (cwt.)	18.00	19.00	18.60	17.60	373	393	385	364	142	151	148	142
Calves (cwt.)	21.10	22.50	22.40	21.00	353	377	375	352	134	144	144	137
Sheep (cwt.)	9.50	8.80	9.20	9.50	205	189	200	205	78	72	77	80
Lambs (cwt.)	20.60	21.50	23.30	21.60	353	369	382	371	134	141	147	144
Hogs (cwt.)	21.50	21.00	20.40	18.90	305	298	290	268	116	114	112	104

Prices and Indexes, (Cont'd)

	Prices				Price Indexes				Purchasing Power Indexes,			
	1948	1948	1949		1948	1948	1949		1948	1948	1949	
	Feb.	Dec.	Jan.	Feb.	Feb.	Dec.	Jan.	Feb.	Feb.	Dec.	Jan.	Feb.
	(Dollars)				(Percent)				(Percent)			
Dairy Products					302	263	260	251	115	101	100	98
Milk, wholesale (cwt.)	4.75	5.10	5.10	4.75	246	264	264	246	94	101	102	96
Milk, retail (qt.)	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Butter (lb.)	.75	.68	.67	.63	335	304	299	281	127	116	115	109
Butterfat (lb).	.76	.60	.59	.58	325	256	252	248	124	98	97	96
Chickens and Eggs					227	298	254	244	86	114	98	95
Chickens (lb.)	.224	.280	.270	.270	238	298	287	287	90	114	110	112
Eggs (doz.)	.397	.530	.430	.405	223	298	242	228	85	114	93	89
Workstock	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Mules (head)	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Horses (head)	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Total livestock and Livestock Products					319	333	319	302	121	128	123	118
All Commodities					279	269	269	262	106	103	103	102

SOURCE: Compiled by Dept. Agri. Econ., Oklahoma A. & M. College, from data supplied by Bureau of Agricultural Economics, U.S.D.A., Oklahoma City, Oklahoma, and Washington, D .C.

For previous years, see Oklahoma Agri. Exp. Sta. Bull. 238, **Oklahoma Farm Price Statistics, and Current Farm Economics**, Okla. Exp. Sta. Series 49, Vol. 13, Nos. 1 and 2, Feb.-Apr., 1940. Tables 16-19, and subsequent issues.

[1] The ratio of prices received by farmers to prices paid by farmers for commodities used in living and production.

[2] Data not available.

——Marguerite Jones.

Price Indexes in the United States and Oklahoma and Indicators of Changes in Domestic Demand.

Year and Month	PRICE INDEXES Average 1910-14=100				INDICATORS OF CHANGES IN DOMESTIC DEMAND		
	Index of Prices Received by Farmers		Index of Prices Paid by Farmers United States	All-Commodity Index of Wholesale Prices United States	Oklahoma Hog-Corn Price Ratio[2]	Index of Demand Deposits Oklahoma[3] Av.1923-25 =100	Index of Factory Payrolls United States[4] Av. 1935-39 =100
	Oklahoma[1]	United States					
1910	108	102	98	103	14.43		
1911	98	95	101	95	9.17		
1912	96	100	100	101	11.15		
1913	101	101	101	102	11.21		
1914	97	101	100	99	10.55		
1915	100	98	105	102	10.48		
1916	125	118	124	125	10.61		
1917	193	175	149	172	9.52		
1918	226	202	176	192	9.20		
1919	236	213	202	202	11.14		106.2
1920	221	211	201	225	12.55		127.1
1921	109	125	152	142	17.95		82.0
1922	130	132	149	141	13.39		88.0
1923	161	142	152	147	7.44	97.0[5]	111.6
1924	165	143	152	143	7.26	95.8	104.1
1925	164	156	157	151	11.05	106.5	109.7
1926	134	145	155	146	16.44	102.0	113.1
1927	134	139	153	139	14.54	100.5	111.0
1928	151	149	155	141	10.72	100.3	112.3
1929	145	146	153	139	10.65	92.3	119.8
1930	112	126	145	126	11.04	77.4	96.9
1940	92	98	123	114	8.61	92.0[6]	114.5
1941	117	122	130	127	13.77	86.6	167.5
1942	152	157	152	144	14.35	107.4	243.3
1943	172	188	167	150	11.69	162.3	316.0
1944	181	195	176	152	10.56	215.9	320.4
1945	184	202	181	154	11.95	285.3	275.9
1946	226	233	203	175	11.56	335.3	260.6
1947	286	278	246	220	13.34	348.5	323.8
1948	293	287	264	241	12.69	353.3	----
1949 Jan.	269	268	248	233	14.68	380.0	----
Feb.	262	258	245	231	14.54	350.0[7]	----

SOURCES: Indexes of Oklahoma prices received by farmers, computed by Dept. Agri. Econ., Okla. Agri. Exp. Sta., Stillwater, Oklahoma. Indexes of U. S. prices received and prices paid by farmers and indexes of U. S. wholesale prices, from *Agricultural Prices*, Bur. of Agri. Econ., U. S. D. A., Washington, D. C. Indexes of demand deposits in Oklahoma, calculated by Dept. Agri. Econ., Okla. Agri. Exp. Sta. from data furnished by Federal Reserve Board, Washington, D. C. Indexes of factory payrolls, from U. S. Department of Labor, Bureau of Statistics, Washington, D. C.

[1] Prices received by Oklahoma farmers for 25 commodities. Revised, 1910-1939, in January, 1940.

[2] These figures indicate the number of bushels of corn that could be purchased with 100 pounds of live hogs at current Oklahoma prices received by farmers.

[3] Demand deposits of Oklahoma member banks of the Federal Reserve System located in places under 15,000 population.

[4] Unadjusted for seasonal variation.

[5] Nine months only. Not available prior to April 1923.

[6] Index numbers based on net demand deposits prior to 1936 and upon gross demand deposits since that date. For a discussion of this index see CURRENT FARM ECONOMICS, Oklahoma Agricultural Experiment Station Series 49, Vol. 13, Nos. 1 and 2. Feb.-Apr. 1940. p. 41.

[7] First half of February only.

—Marguerite Jones.

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